



NEWS RELEASE

Quest Diagnostics Reports First Quarter 2024 Financial Results; Raises Guidance for Full Year 2024

4/23/2024

- First quarter revenues of \$2.37 billion, up 1.5% from 2023
- First quarter reported diluted earnings per share ("EPS") of \$1.72, down 3.4% from 2023; and adjusted diluted EPS of \$2.04, flat with 2023
- Full year 2024 revenues now expected to be between \$9.40 billion and \$9.48 billion; reported diluted EPS now expected to be between \$7.57 and \$7.82; and adjusted diluted EPS expected to be between \$8.72 and \$8.97

SECAUCUS, N.J., April 23, 2024 /PRNewswire/ -- Quest Diagnostics Incorporated (NYSE: DGX), a leading provider of diagnostic information services, today announced financial results for the first quarter ended March 31, 2024.

"In the first quarter, we delivered nearly 6% base business revenue growth, continuing the strong momentum of recent quarters. We also grew total revenues for the first time since the height of the pandemic nearly three years ago," said Jim Davis, Chairman, CEO and President. "Our strong commercial focus on physicians and hospitals combined with our broad health plan access enabled us to take advantage of sustained high rates of healthcare utilization and drive new customer growth. Our investments within advanced diagnostics also enabled double digit growth within multiple key clinical areas, including brain health, women's health and advanced cardiometabolic health.

"In addition, our Invigorate initiative, which includes ongoing investments in automation and AI, continued to improve productivity as well as service levels and quality. Given the strength of our business, we are raising our revenue and adjusted earnings guidance for the full year," Mr. Davis said.

| | Three Months Ended March 31, | | |
|------------------------------------------------------|----------------------------------------------|----------|----------|
| | 2024 | 2023 | Change |
| | (dollars in millions, except per share data) | | |
| <u>Reported:</u> | | | |
| Net revenues | \$ 2,366 | \$ 2,331 | 1.5 % |
| Diagnostic Information Services revenues | \$ 2,298 | \$ 2,259 | 1.7 % |
| Revenue per requisition | | | 0.1 % |
| Requisition volume | | | 1.6 % |
| Organic requisition volume | | | 1.0 % |
| Operating income (a) | \$ 300 | \$ 305 | (1.7) % |
| Operating income as a percentage of net revenues (a) | 12.7 % | 13.1 % | (0.4) % |
| Net income attributable to Quest Diagnostics (a) | \$ 194 | \$ 202 | (3.9) % |
| Diluted EPS (a) | \$ 1.72 | \$ 1.78 | (3.4) % |
| Cash provided by operations | \$ 154 | \$ 94 | 64.8 % |
| Capital expenditures | \$ 104 | \$ 127 | (18.2) % |
| <u>Adjusted (a):</u> | | | |
| Operating income | \$ 349 | \$ 350 | (0.2) % |
| Operating income as a percentage of net revenues | 14.8 % | 15.0 % | (0.2) % |
| Net income attributable to Quest Diagnostics | \$ 230 | \$ 232 | (1.1) % |
| Diluted EPS | \$ 2.04 | \$ 2.04 | — % |

(a) For further details impacting the year-over-year comparisons related to operating income, operating income as a percentage of net revenues, net income attributable to Quest Diagnostics, and diluted EPS, see note 2 of the financial tables attached below.

Updated Guidance for Full Year 2024

The company updates its full year 2024 guidance as follows:

| | Updated Guidance | | Prior Guidance | |
|-----------------------------|-----------------------------|----------------|-----------------------------|----------------|
| | Low | High | Low | High |
| Net revenues | \$9.40 billion | \$9.48 billion | \$9.35 billion | \$9.45 billion |
| Net revenues increase | 1.6 % | 2.5 % | 1.1 % | 2.1 % |
| Reported diluted EPS | \$7.57 | \$7.82 | \$7.69 | \$7.99 |
| Adjusted diluted EPS | \$8.72 | \$8.97 | \$8.60 | \$8.90 |
| Cash provided by operations | Approximately \$1.3 billion | | Approximately \$1.3 billion | |
| Capital expenditures | Approximately \$420 million | | Approximately \$420 million | |

Note on Non-GAAP Financial Measures

As used in this press release the term "reported" refers to measures under accounting principles generally

accepted in the United States ("GAAP"). The term "adjusted" refers to non-GAAP operating performance measures that exclude special items such as restructuring and integration charges, amortization expense, excess tax benefits ("ETB") associated with stock-based compensation, gains and losses associated with changes in the carrying value of our strategic investments, and other items.

Non-GAAP adjusted measures are presented because management believes those measures are useful adjuncts to GAAP results. Non-GAAP adjusted measures should not be considered as an alternative to the corresponding measures determined under GAAP. Management may use these non-GAAP measures to evaluate our performance period over period and relative to competitors, to analyze the underlying trends in our business, to establish operational budgets and forecasts and for incentive compensation purposes. We believe that these non-GAAP measures are useful to investors and analysts to evaluate our performance period over period and relative to competitors, as well as to analyze the underlying trends in our business and to assess our performance. The additional tables attached below include reconciliations of non-GAAP adjusted measures to GAAP measures.

Conference Call Information

Quest Diagnostics will hold its quarterly conference call to discuss financial results beginning at 8:30 a.m. Eastern Time today. The conference call can be accessed by dialing 888-455-0391 within the U.S. and Canada, or 773-756-0467 internationally, passcode: 7895081; or via live webcast on our website at

www.QuestDiagnostics.com/investor. We suggest participants dial in approximately 10 minutes before the call.

A replay of the call may be accessed online at **www.QuestDiagnostics.com/investor** or, from approximately 10:30 a.m. Eastern Time on April 23, 2024 until midnight Eastern Time on May 7, 2024, by phone at 866-363-1809 for domestic callers or 203-369-0197 for international callers. Anyone listening to the call is encouraged to read our periodic reports, on file with the Securities and Exchange Commission, including the discussion of risk factors and historical results of operations and financial condition in those reports.

About Quest Diagnostics

Quest Diagnostics works across the healthcare ecosystem to create a healthier world, one life at a time. We provide diagnostic insights from the results of our laboratory testing to empower people, physicians and organizations to take action to improve health outcomes. Derived from one of the world's largest databases of deidentified clinical lab results, Quest's diagnostic insights reveal new avenues to identify and treat disease, inspire healthy behaviors and improve healthcare management. Quest Diagnostics annually serves one in three adult Americans and half the physicians and hospitals in the United States, and our nearly 50,000 employees understand that, in the right hands and with the right context, our diagnostic insights can inspire actions that transform lives and create a healthier world. **www.QuestDiagnostics.com**.

Forward Looking Statements

The statements in this press release which are not historical facts may be forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date that they are made and which reflect management's current estimates, projections, expectations or beliefs and which involve risks and uncertainties that could cause actual results and outcomes to be materially different. Risks and uncertainties that may affect the future results of the company include, but are not limited to, adverse results from pending or future government investigations, lawsuits or private actions, the competitive environment, the complexity of billing, reimbursement and revenue recognition for clinical laboratory testing, changes in government regulations, changing relationships with customers, payers, suppliers or strategic partners and other factors discussed in the company's most recently filed Annual Report on Form 10-K and in any of the company's subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including those discussed in the "Business," "Risk Factors," "Cautionary Factors that May Affect Future Results" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of those reports.

This earnings release, including the attached financial tables, is available online in the Newsroom section at www.QuestDiagnostics.com.

ADDITIONAL TABLES FOLLOW

| Quest Diagnostics Incorporated and Subsidiaries Consolidated Statements of Operations For the Three Months Ended March 31, 2024 and 2023 (in millions, except per share data) (unaudited) | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------|
| | Three Months Ended March 31, | |
| | 2024 | 2023 |
| Net revenues | \$ 2,366 | \$ 2,331 |
| Operating costs and expenses and other operating income: | | |
| Cost of services | 1,595 | 1,560 |
| Selling, general and administrative | 440 | 439 |
| Amortization of intangible assets | 29 | 26 |
| Other operating expense, net | 2 | 1 |
| Total operating costs and expenses, net | 2,066 | 2,026 |
| Operating income | 300 | 305 |
| Other income (expense): | | |
| Interest expense, net | (43) | (35) |
| Other income, net | 9 | 7 |

| | | |
|------------------------------------------------------------------------------|---------|---------|
| Total non-operating expense, net | (34) | (28) |
| Income before income taxes and equity in earnings of equity method investees | 266 | 277 |
| Income tax expense | (66) | (65) |
| Equity in earnings of equity method investees, net of taxes | 8 | 5 |
| Net income | 208 | 217 |
| Less: Net income attributable to noncontrolling interests | 14 | 15 |
| Net income attributable to Quest Diagnostics | \$ 194 | \$ 202 |
| Earnings per share attributable to Quest Diagnostics' common stockholders: | | |
| Basic | \$ 1.74 | \$ 1.80 |
| Diluted | \$ 1.72 | \$ 1.78 |
| Weighted average common shares outstanding: | | |
| Basic | 111 | 112 |
| Diluted | 112 | 113 |

Quest Diagnostics Incorporated and Subsidiaries
Consolidated Balance Sheets
March 31, 2024 and December 31, 2023
(in millions, except per share data)
(unaudited)

| | March 31, 2024 | December 31, 2023 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 474 | \$ 686 |
| Accounts receivable, net | 1,322 | 1,210 |
| Inventories | 181 | 190 |
| Prepaid expenses and other current assets | 251 | 286 |
| Total current assets | 2,228 | 2,372 |
| Property, plant and equipment, net | 1,810 | 1,816 |
| Operating lease right-of-use assets | 579 | 602 |
| Goodwill | 7,830 | 7,733 |
| Intangible assets, net | 1,192 | 1,166 |
| Investments in equity method investees | 133 | 135 |
| Other assets | 182 | 198 |
| Total assets | \$ 13,954 | \$ 14,022 |
| <u>Liabilities and Stockholders' Equity</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,239 | \$ 1,359 |
| Current portion of long-term debt | 906 | 303 |
| Current portion of long-term operating lease liabilities | 153 | 153 |
| Total current liabilities | 2,298 | 1,815 |
| Long-term debt | 3,804 | 4,410 |
| Long-term operating lease liabilities | 489 | 503 |
| Other liabilities | 817 | 876 |
| Redeemable noncontrolling interest | 77 | 76 |
| Stockholders' equity: | | |
| Quest Diagnostics stockholders' equity: | | |
| Common stock, par value \$0.01 per share; 600 shares authorized as of both March 31, 2024 and December 31, 2023; 162 shares issued as of both March 31, 2024 and December 31, 2023 | 2 | 2 |
| Additional paid-in capital | 2,292 | 2,320 |
| Retained earnings | 8,935 | 8,825 |
| Accumulated other comprehensive loss | (16) | (14) |
| Treasury stock, at cost; 51 shares as of both March 31, 2024 and December 31, 2023 | (4,781) | (4,826) |
| Total Quest Diagnostics stockholders' equity | 6,432 | 6,307 |
| Noncontrolling interests | 37 | 35 |

Total stockholders' equity
Total liabilities and stockholders' equity

| | | |
|----|--------|-----------|
| | 6,469 | 6,342 |
| \$ | 13,954 | \$ 14,022 |

Quest Diagnostics Incorporated and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2024 and 2023
(in millions)
(unaudited)

| | Three Months Ended March 31, | |
|----------------------------------------------------------------------------------------|---------------------------------|--------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net income | \$ 208 | \$ 217 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 116 | 107 |
| Provision (credit) for credit losses | 1 | (1) |
| Deferred income tax benefit | (18) | (4) |
| Stock-based compensation expense | 22 | 24 |
| Other, net | 11 | 3 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (114) | (58) |
| Accounts payable and accrued expenses | (152) | (211) |
| Income taxes payable | 42 | 11 |
| Other assets and liabilities, net | 38 | 6 |
| Net cash provided by operating activities | 154 | 94 |
| Cash flows from investing activities: | | |
| Business acquisitions, net of cash acquired | (142) | (31) |
| Capital expenditures | (104) | (127) |
| Other investing activities | 33 | — |
| Net cash used in investing activities | (213) | (158) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings | — | 140 |
| Repayments of debt | — | (140) |
| Exercise of stock options | 12 | 25 |
| Employee payroll tax withholdings on stock issued under stock-based compensation plans | (23) | (28) |
| Dividends paid | (79) | (74) |
| Distributions to noncontrolling interest partners | (11) | (14) |
| Other financing activities, net | (52) | 15 |
| Net cash used in financing activities | (153) | (76) |
| Net change in cash and cash equivalents and restricted cash | (212) | (140) |
| Cash and cash equivalents and restricted cash, beginning of period | 686 | 315 |
| Cash and cash equivalents and restricted cash, end of period | \$ 474 | \$ 175 |
| Cash paid during the period for: | | |
| Interest | \$ 44 | \$ 32 |
| Income taxes | \$ 3 | \$ 33 |

1) The computation of basic and diluted earnings per common share is as follows:

| | Three Months Ended March 31, | |
|----------------------------------------------------------------------------------|-----------------------------------------|----------------|
| | 2024 | 2023 |
| | (in millions, except per share data) | |
| Amounts attributable to Quest Diagnostics' common stockholders: | | |
| Net income attributable to Quest Diagnostics | \$ 194 | \$ 202 |
| Less: earnings allocated to participating securities | 1 | 1 |
| Earnings available to Quest Diagnostics' common stockholders - basic and diluted | <u>\$ 193</u> | <u>\$ 201</u> |
| Weighted average common shares outstanding - basic | 111 | 112 |
| Effect of dilutive securities: | | |
| Stock options and performance share units | 1 | 1 |
| Weighted average common shares outstanding - diluted | <u>112</u> | <u>113</u> |
| Earnings per share attributable to Quest Diagnostics' common stockholders: | | |
| Basic | \$ 1.74 | \$ 1.80 |
| Diluted | <u>\$ 1.72</u> | <u>\$ 1.78</u> |

2) The following tables reconcile reported GAAP results to non-GAAP adjusted results:

| Three Months Ended March 31, 2024 (dollars in millions, except per share data) | | | | | | |
|-----------------------------------------------------------------------------------|---------------------|-----------------------------------------------------------|---------------------------|-------------------------------------------------------------------------|-------------------------------------------------------|-------------|
| | Operating income | Operating income as a percentage of net revenues | Income tax expense (d) | Equity in earnings of equity method investees, net of taxes | Net income attributable to Quest Diagnostics | Diluted EPS |
| As reported \$ | 300 | 12.7 % | \$ (66) | \$ 8 | \$ 194 | \$ 1.72 |
| Restructuring and integration charges (a) | 17 | 0.7 | (4) | — | 13 | 0.12 |
| Other (b) | 3 | 0.2 | — | — | 3 | 0.03 |
| Amortization expense | 29 | 1.2 | (7) | — | 22 | 0.19 |
| ETB | — | — | (2) | — | (2) | (0.02) |
| As adjusted \$ | 349 | 14.8 % | \$ (79) | \$ 8 | \$ 230 | \$ 2.04 |

Three Months Ended March 31, 2023
(dollars in millions, except per share data)

| | Operating income | Operating income as a percentage of net revenues | Income tax expense (d) | Equity in earnings of equity method investees, net of taxes | Net income attributable to Quest Diagnostics | Diluted EPS |
|----------------------------------------------|---------------------|-----------------------------------------------------------|---------------------------|-------------------------------------------------------------------------|-------------------------------------------------------|-------------|
| As reported \$ | 305 | 13.1 % | \$ (65) | \$ 5 | \$ 202 | \$ 1.78 |
| Restructuring and integration charges (a) | 19 | 0.8 | (5) | — | 14 | 0.12 |
| Gains and losses on investments (c) | — | — | (1) | 3 | 2 | 0.02 |
| Amortization expense | 26 | 1.1 | (7) | — | 19 | 0.17 |
| ETB | — | — | (5) | — | (5) | (0.05) |
| As adjusted \$ | 350 | 15.0 % | \$ (83) | \$ 8 | \$ 232 | \$ 2.04 |

(a) For both the three months ended March 31, 2024 and 2023, the pre-tax impact represents costs primarily associated with workforce reductions and integration costs incurred in connection with further restructuring and integrating our business. The following table summarizes the pre-tax impact of restructuring and integration charges on our consolidated statements of operations:

| | Three Months Ended March 31, | |
|-------------------------------------|---------------------------------|-------|
| | 2024 | 2023 |
| | (dollars in millions) | |
| Cost of services | \$ 13 | \$ 10 |
| Selling, general and administrative | 4 | 9 |
| Operating income | \$ 17 | \$ 19 |

- (b) For the three months ended March 31, 2024, the pre-tax impact represents a loss associated with the increase in the fair value of the contingent consideration accrual associated with previous acquisitions, recorded in other operating expense, net.
- (c) For the three months ended March 31, 2023, the pre-tax impact represents gains and losses associated with changes in the carrying value of our strategic investments, recorded in equity in earnings of equity method investees, net of taxes.
- (d) For restructuring and integration charges, gains and losses on investments, other items and amortization expense, income tax impacts, where recorded, were primarily calculated using combined statutory income tax rates of 25.5% for both 2024 and 2023.

3) The outlook for adjusted diluted EPS represents management's estimates for the full year 2024 before the impact of special items. Further impacts to earnings related to special items may occur throughout 2024. Additionally, the amount of ETB is dependent upon employee stock option exercises and our stock price, which are difficult to predict. The following table reconciles our 2024 outlook for diluted EPS under GAAP to our outlook for adjusted diluted EPS:

| | Low | | High | |
|-------------------------------------------|-----|--------|------|--------|
| Diluted EPS | \$ | 7.57 | \$ | 7.82 |
| Restructuring and integration charges (a) | | 0.25 | | 0.25 |
| Amortization expense (b) | | 0.82 | | 0.82 |
| Other (c) | | 0.12 | | 0.12 |
| ETB | | (0.04) | | (0.04) |
| Adjusted diluted EPS | \$ | 8.72 | \$ | 8.97 |

- (a) Represents estimated pre-tax charges of \$38 million primarily associated with workforce reductions and integration costs incurred in connection with further restructuring and integrating our business. Income tax benefits were primarily calculated using a combined statutory income tax rate of 25.5%.
- (b) Represents estimated pre-tax amortization expenses of \$125 million. Income tax benefits were primarily calculated using a combined statutory income tax rate of 25.5%.
- (c) Represents estimated pre-tax losses of \$12 million associated with the increase in the fair value of the contingent consideration accrual associated with previous acquisitions. No income tax benefits are recorded on the losses.

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SOURCE Quest Diagnostics